

AfroCentric GROUP

Summary of annual results for the year ended 30 June 2020 and Dividend declaration



SALIENT FEATURES

	% change	Year ended 30 June 2020	Year ended 30 June 2019
Total revenue (R'million)	21.6	6 441.0	5 296.8
Operating profit (R'million)	24.4	960.7	772.1
Operating profit (excluding lease reversals) (R'million)	29.1	874.6	677.7
Healthcare Services Operating profit (R'million)	13.2	620.8	548.4
Healthcare Retail Operating profit (R'million)	96.4	253.8	129.2
Profit before tax (R'million)	16.1	613.6	528.5
Basic earnings (R'million)	12.5	303.6	269.9
Headline earnings (R'million)	15.6	306.8	265.2
Basic earnings (cents per share)	9.9	52.87	48.12
Headline earnings (cents per share)	12.9	53.42	47.29
Weighted average number of ordinary shares (million)		574.2	560.8

DEVELOPMENTS (continued)

In keeping with that principal philosophy, during the period under review and prior to publishing these results:

- Scriptpharm Risk Management concluded two important contracts for more efficient Chronic Medicine and HIV management.
- ACT Healthcare Assets acquired the remaining 20% interest, that are not yet owned, in Scriptpharm Risk Management, the effective date being 1 August 2020.
- Medscheme concluded a contract to administer the MEDiPOS Medical Scheme, the effective date being 1 April 2020.
- Afrocentric Health acquired 100% of the shares in the DENIS Group, a company specialising in dental benefits management. The transaction will enable the Group to focus on innovation and efficiency management in dental treatment offerings to all South African medical schemes and their members. The transaction became unconditional on 26 August 2020, the effective date being 1 October 2020.

FINANCIAL PERFORMANCE

The financial results for the year, confirm the accretive expectations of the group's deliberate diversification strategy, particularly evident when measuring the comparative impact in the synthesis of the Retail Segment, now productively integrated into a collective unit of group operations.

The pharma related component yielded significant growth during the year, contributing even more meaningful value and relief in meeting all stakeholder needs, particularly during the stressful time under Covid-19. The prudent and timely acquisition of the remaining shares in the Activo Health business during 2019, the impressive growth in Scriptpharm, including the increasing volume of activity in Pharmacy Direct, were the notable contributory factors, generating growth in comparative segmental operating profits in excess of 50%. Given the more heedful attention paid by patients reliant on chronic medication during lockdown, not least an obvious desire to stay healthy in general, the convenience of group deliveries during lockdown, at work/home, proved extremely valuable to those dependent on their chronic medications and other requirements.

The Services Segment, substantially comprising the medical scheme administration business, has also performed extremely well during the period under review. The group's prior and continuing investment in IT capacity, systems development and more efficient operating cost control routines, started to reveal their value, through a net decrease in operating costs of 1.0% for the year, compared to industry related inflationary costs of approximately 5%. Our lower cost of IT operations in turn prompted processes in robotics, call centre management and customer/member contact via digital platforms. The group will continue with system renewals and upgrades to explore better and more efficient ways in servicing and engaging our customers/members. Apart from our stable and consistent fee structures in this business unit, as a result of the new measures and more effective cost controls described above, the Services Cluster was able to increase its operating profit by a satisfactory 13.2%.

Group profits before tax, increased by 16.1% amounting to R613.6 million (2019: R528.5 million). Group profits after tax (PAT) increased by 19.1% amounting to R458.6 million (2019: R385.0 million).

Given the nature and composition of the Group's assets, mainly being goodwill and intangible assets, the cash generation ability of its various subsidiaries is the measure for valuation and/or impairment of its historical cost. Management and the Board are satisfied with the cash flow models, the assumptions and estimates of the future growth in profits and cash flows, including the applied weighted cost of capital, to confirm the amount at which the intangible assets are stated. Notwithstanding the above, having regard to the future uncertain impact of Covid-19, the investment in Capex and exploratory project funding, will be more cautiously considered, focusing more specifically on earnings enhancing acquisitions and operational activities through digitisation, improved cost controls and margin protection.

DIVIDENDS

The Board has pleasure in announcing that in addition to the interim gross dividend per ordinary share of 17 cents, a final gross dividend of 17 cents per ordinary share has been declared for the year ended 30 June 2020. Dividends are subject to Dividends Withholding Tax. The payment date for the dividend is Monday, 16 November 2020. For further details on the dividend declaration, refer to the full announcement on AfroCentric's website (www.afrocentric.za.com).

FULL ANNOUNCEMENT

This short-form announcement is the responsibility of the directors and is only a summary of the information contained in the full announcement which was released on SENS on 14 September 2020 and can be found on the Company website (<http://www.afrocentric.za.com/inv-reporting.php>). The information in this press announcement has been extracted from the audited information, but the announcement itself is not audited. Copies of the full announcement may also be requested at the Company's registered office, at no charge, during office hours. Any investment decision should be based on the full announcement and audited results published on SENS and the Company's website.

On behalf of the Board

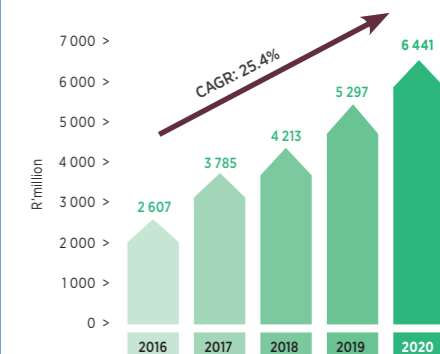
Dr ATM Mokgokong
Chairman

Johannesburg
15 September 2020

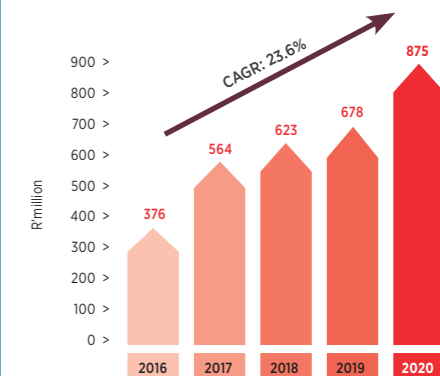
Mr A Banderker
Group Chief Executive Officer

FINANCIAL HIGHLIGHTS

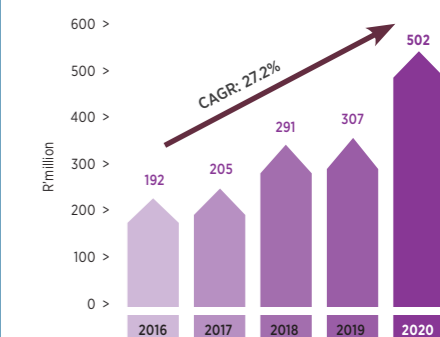
Total revenue



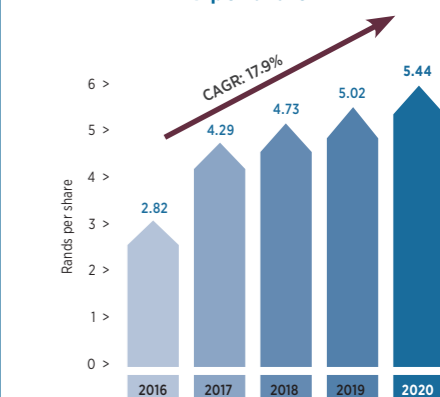
Operating profit



Net cash flows from operations



NAV per share



INTRODUCTION TO THE AFROCENTRIC GROUP

AfroCentric is a black-owned JSE listed investment holding company which operates in and provides specialised services to the public and private healthcare sectors, making quality healthcare more accessible and affordable to members and beneficiaries in both sectors. AfroCentric is doing this by broadening its presence in the healthcare industry by pursuing new opportunities and expanding its existing Group healthcare enterprises.

The Board takes pleasure in presenting commentary on AfroCentric's ("ACT") operating performance for the financial year ended 30 June 2020. Apart from the risks and challenges presented by the outbreak of the Covid-19 pandemic during the third quarter, the annual results are characterised by the positive outcome of the Group's diversification strategy and the execution thereof. The success of the Group's vision has helped to define and guide the corporate strategy going forward, suggesting further complementary links to the value chain, to maximise the purchasing power of healthcare spend.

Throughout the Group, we have focused on applying innovative digital applications to drive greater efficiencies to improve the quality of services rendered to our customers, our clients and their medical scheme members. Covid-19 has amplified the need for digital solutions and accelerated the deployment of many planned activities.

Our prior investment in system development and increased IT capacity, continues to contribute favourably towards our operating results, achieving beneficial cost savings through greater scale and procedural efficiencies. These investments could not have been more timely, considering the necessity for a digital operating model during lockdown and subsequent restrictions.

DEVELOPMENTS

AfroCentric has for some time focused on growth initiatives designed to create a value chain of healthcare enterprises to maximise the purchasing power of citizen's healthcare spend. Through models of co-operative partnerships and collaboration, the objectives are to improve the affordability of patient care, with viable patient outcomes for easier accessibility to a broader community.

Directors
ATM Mokgokong** (Chairman), MJM Madungandaba** (Deputy Chairman), A Banderker*** (CEO), JW Boonzaier*** (CFO), G Allen**, WH Britz***, M Chauke*, JB Fernandes* (lead), AM le Roux*, SE Mmakau*** (CIO), ND Munisi**, J Strydom**, SA Zinn*

*Independent non-executive **non-executive ***executive

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